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ARIZONA CORPORATION COMMISSION

March 31, 2004

The Honorable Phil Gordon
Mayor, The City of Phoenix
200 West Washington Street
Phoenix, Arizona 85003-1611

Re: Valley Metro Rail Project (Docket No. C-00000A-03-0861)

Dear Mayor Gordon:

I am writing regarding my letter dated January 5, 2004 concerning the reimbursement of the utility relocation costs associated with the Valley Metro Rail project. After three months, I have yet to receive a written response to my letter.

As you know, Governor Napolitano signed H.B. 2456 into law (Laws 2004, Chapter 2), which directs the Maricopa County Board of Supervisors to hold a countywide election in November 2004 for the continuation of the county transportation excise tax. Part of the revenues for transportation excise tax will be used to fund the Valley Metro Rail project.

One of the act's provisions requires the light rail project to reimburse the affected utilities for "all costs for the relocation, and reasonable ongoing costs related to the relocation, of utility facilities." The reimbursement of utility relocation costs will come from the transportation excise tax revenues.

As I understand it, however, the participating cities will commence the project even if the November election fails. That leaves the customers of the very utilities the Commission regulates (Qwest, SW Gas, and APS) exposed to ultimately paying for utility relocation costs.

I believe that it is patently unfair and wrong for utility customers to subsidize utility relocation costs for a 20-mile light rail project – a very limited system that will provide benefit only to a small group of commuters in Maricopa County.

On March 25, 2004, I had a telephone conversation with Daina Mann, Communications Manager for Valley Metro Rail. Ms. Mann indicated the current light rail budget, absent the passage of the current Maricopa County Transportation Excise Tax, has no funds allocated for reimbursement of utility relocation costs.

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Before the commencement of the construction phase involving utility relocation, I would like you to assure me and the Commission that utility customers will be protected from bearing this financial burden.

I would like a response to this letter and to questions in my January 5th letter as soon as possible. Thank you for your cooperation on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Hatch-Miller", with a stylized, flowing script.

Jeff Hatch-Miller

cc: Chairman Marc Spitzer
Commissioner Bill Mundell
Commissioner Mike Gleason
Commissioner Kristin Mayes
Frank Fairbanks, City Manager, The City of Phoenix